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AUTHOR McCorkle, Sarapage
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ABSTRACT

This instructional series is designed to enhance the teaching of U.S. history in middle and junior high school classes. This particular school resource package is comprised of three instructional videos, a teacher utilization video, a poster, and other related print materials. Each 20-minute instructional program focuses on an important issue typically taught in U.S. history courses. The video programs include: (1) "The Whiskey Rebellion: First Test of the Federal Power to Tax, 1794"; (2) "The Protective Tariff Issue, 1832"; and (3) "Fairness and the Income Tax, 1909." The programs feature characters of similar age and spirit to middle school students who explore the roles that taxation played in each of the three issues, specifically: (1) the government's need to raise revenues; (2) tax policy's influence on economic behavior; and (3) the issue of fairness in taxes. Lesson activities, discussion suggestions, and the instructional poster reinforce those issues. (EH)

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ED 401 205

Teacher's Guide

Taxes in U.S. History

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Contents

Introduction 1

Lesson 1: "The Whiskey Rebellion:
First Test of the Federal Power to Tax, 1794" 3

Lesson 2: "The Protective Tariff Issue, 1832" 8

Lesson 3: "Fairness and the Income Tax, 1909" 13

Suggested Evaluation Questions 18

Transparency and
Student Handout Masters 20

Tax Information Resources .....Inside Back Cover

A Teacher's Guide to Using

Taxes in U.S. History

Guide Writer

Sarapage McCorkle, University of Missouri–St. Louis

Assisted by

John Patrick, Indiana University

Devon Yoho, Ball State University

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Introduction

Taxes in U.S. History is an instructional series designed to enhance the teaching of U.S. history to middle and junior high school classes. It includes three student videos, a teacher utilization video, a poster, and other related print materials.

Each 20-minute student program focuses on an important issue typically included in U.S. history courses.

- **"The Whiskey Rebellion: First Test of the Federal Power to Tax,1794"**
- **"The Protective Tariff Issue, 1832"**
- **"Fairness and the Income Tax, 1909"**

The programs feature characters of similar age and spirit to your students who explore the roles that taxation played in each of the three issues, specifically: the government's need to raise revenues, tax policy's influence on economic behavior, and the issue of fairness in taxation. These themes of the economics of taxation are also emphasized in the lesson activities and discussions found in this teacher's guide, and on the instructional poster.

Taxes in U.S. History contributes to the citizenship education of middle and junior high school students by helping them explore the fundamental nature and history of taxes. The subject is relevant to students of this age, more and more of whom are required to pay taxes as consumers, workers, savings account owners, and even as stockholders.

As you will see in the teacher video program, ***Taxes in U.S. History*** is a flexible, easily adapted teaching resource. Each of the three student videos is a complete program and may be shown individually. The related print materials are also self-contained and offer everything you need to teach and reinforce the student programs.

Series Components

Teacher Utilization Program

"A Video Guide to Teaching ***Taxes in U.S. History***" is directed primarily to the teachers who will use the series. It introduces the student videos and print components by showing them being used by a typical group of middle school students and their teacher. "Teaching ***Taxes in U.S. History***" is designed to be viewed before teachers use the student videos and lessons in their classrooms.

Student Videos

The three student programs feature teenage characters whose lives are affected by taxation in ways similar to your students' experiences. This format encourages your class to "learn along" with the programs' characters as they explore the contexts and consequences of taxation.

Teacher's Guide

This book helps you use the student videos effectively. It describes each program's **purpose**, **objectives**, content **summary**, and **connection** to U.S. history curricula. Together the features help you determine how each program will best suit your lesson plans.

To aid your teaching of each lesson, the guide provides **key terms** and suggestions for class **discussions**. **Review questions** and **extension activities** relate the program themes to history, economics, and taxation. **Student handouts** and **timelines** suitable for making photocopies or overhead transparencies are also provided.

To conclude the lessons, the guide suggests questions that will aid your evaluation of how well students attained lesson objectives. Finally, your questions regarding workshops, additional materials, or tax education in general may be answered by contacting the **resources** listed on the inside back cover.

Instructional Poster

The large, double-sided poster may be displayed to reinforce and extend the videos' content or to stimulate interest independently. One side incorporates key ideas, illustrations, short timelines, and questions concerning each program, that are intended to encourage students' analytical and critical thinking about economics and history. The second side features an expanded timeline of key events in the evolution of our federal tax system, and charts illustrating interesting tax statistics.

The Whiskey Rebellion: First Test of the Federal Power to Tax, 1794

Purpose

To help students understand the basic rationale, nature, and consequences of taxes, through an examination of the early days of the U.S. federal government

Objectives

After completing the lesson, students will be able to explain that

- governments need revenue in order to provide goods and services
- taxes are an important source of governmental revenue
- taxes are required payments imposed by governments
- taxes transfer the use of resources from the private sector to the government

Curriculum Connection

This program addresses a central topic in the founding of the United States: the need for revenue from taxes to establish and maintain an effective federal government. Standard middle school textbook treatments of this topic include the following events and documents found in Lesson 1.

- the Articles of Confederation
- creation of the U.S. Constitution
- the power to tax in Article I, Section 8, of the U.S. Constitution
- the First Federal Congress
- the 1789 federal revenue tariff law
- the 1791 federal tax on whiskey
- the Whiskey Rebellion and its suppression by President George Washington

Program Summary

Cheryl and Paul meet before school to review for a U.S. history exam. Before they leave Paul's home, his parents remind him to mail his income tax return. His father explains that taxes help the government pay for goods and services that individuals can't provide on their own. Paul would rather save his tax payment to buy a new skateboard.

Cheryl and Paul discuss possible test topics, including the Articles of Confederation, the Constitution of 1787, the Revenue Act of 1789, and the 1791 Whiskey Tax. Paul skates ahead, but just as they begin reviewing the Whiskey Rebellion he hits a bump and crashes to the road.

Paul revives in 1794. A Whiskey Rebel is pounding a Liberty Pole into the ground to protest the Whiskey Tax. A frontier post-rider helps Paul to his feet and takes him to Bradford Inn.

Henry Bradford is supportive of President Washington's new government and understands its need to raise revenue from taxes. But Paul later hears some rebels complain that the Whiskey Tax hurts them more than other Americans. The region's most valuable crop, corn, is often made into whiskey for easier transportation to the East, and is the frontier settlers' major source of cash.

At a torchlight gathering, Henry says that disobeying the tax law is treason. In the excitement of the debate, Paul fades out of 1794 and returns to the present, where he is being comforted after his skateboard accident. He asks Cheryl how the Whiskey Rebellion ended, and she explains that Washington sent troops to make the point that all taxes must be paid. No one was hurt.

Key Terms

Government goods and services—products and programs provided by the federal government for the general welfare of the public

Resources—factors needed to produce goods and services (natural, human, and capital goods)

Revenue—monies received from taxes and the sale of goods and services

Taxes—required payments imposed by governments

Tariff—a tax levied on imported goods

Teaching the Lesson

Before Viewing the Video Program

1. Ask students if they pay any taxes and why they pay them. *(Students are likely to indicate that they pay sales taxes because they must.)*

2. Ask students to think about everything they have done today. Ask them to identify which of those activities were provided by or made possible because of governments. *(examples: listened to the radio and got a weather report from the government weather center, put a letter to a friend in the U.S. mail, took an airplane trip guided by air traffic controllers, rode on a school bus, traveled on a public road, passed a fire station, crossed a bridge, etc.)*

   - Explain that governments provide many services and goods in addition to governing. To pay for the resources needed to perform these functions, governments impose taxes.

3. Display a transparency of the Lesson 1 timeline (page 20). Remind students that the U.S. Constitution, ratified in 1788, granted the federal government the power to levy taxes. In the first federal tax law of 1789, Congress imposed tariffs on imported goods. Later, Congress levied taxes on some goods produced in the United States, and today it determines income taxes.

4. Tell students they will view a video program about a crisis that faced President Washington a few years after the First Federal Congress placed an excise tax on whiskey in 1791. Ask them to listen for reasons why the program's characters favor or oppose the Whiskey Tax. Present the video program, "The Whiskey Rebellion: First Test of the Federal Power to Tax, 1794."

After Viewing the Video Program

1. Review the program's content and historical period with questions such as the following.

   - What are taxes? *(required payments imposed by governments)*
   - Why do governments tax? *(to govern and provide goods and services)*
   - How did the government receive revenue under the Articles of Confederation? *(borrowed money, sold public lands, and depended on the states to give it money)*
   - How did the Constitution of 1787 provide for government revenue? *(The federal government was given the power to levy taxes.)*
   - In the Revenue Act of 1789, how did Congress decide to raise revenue? *(It imposed tariffs on imported goods.)*
   - Henry Bradford told Tabby and Paul that taxes shift resources from use by private individuals and companies to government uses. Resources are things used to produce goods and services. What examples of resources did he use to explain? *(He mentioned cloth and people's time. After taxes, the government had money to buy cloth and pay people to produce military uniforms. The cloth and workers' time were shifted from civilian to government use.)*
   - Why did Henry support the Whiskey Tax? *(He believed a strong government was important to provide an army on the frontier, defense against foreign powers, a postal system, a bureau for the Western lands, and federal roads.)*
   - Why did rebels oppose the Whiskey Tax? *(They wanted to return to taxes issued by the states—as under the Articles of Confederation—to avoid federal taxes that seemed to benefit one region of the country at the expense of another.)*
   - Why did George Washington send troops to put down the Whiskey Rebellion? *(It was the first test of the government's constitutional power to tax. He made the point that the Constitution is the law of the land and must be obeyed.)*

2. Have students summarize what they learned in the lesson. *(Answers should parallel the lesson objectives.)*

3. Finally, ask students to consider the thought question posed on the "Whiskey Rebellion" segment of the accompanying poster: **What if a government enacted tax laws but did not enforce them?** *(Answers should be based on the main points developed in this lesson.)*

Extending the Lesson

Extension Activity 1: The Constitution and the Powers of the New Government

1. Remind students that the federal government needs resources to govern and provide public goods and services.

   - Explain that there are three types of resources needed to produce goods and services. **Natural** resources are production materials that occur in nature such as land, oil, and water. **Human** resources are people working to produce goods and services. **Capital** resources are production factors such as tools, machines, and factories.

2. Distribute two copies of Student Handout 1 (page 21) to each student. Explain that students will list resources that the government used to produce the public goods and services identified in the U.S. Constitution.

   - Using a transparency of the handout, review instructions with students. In the first column, instruct them to write "Article I" in the first box, "Article II" in the second box, and "Article III" in the third box. Remind students that Article I created the legislative branch, Article II created the executive branch and Article III created the judicial branch.

   - Instruct students to write a brief description of the duties of each branch in the second column. *(Article I: make laws; Article II: execute laws; Article III: enforce and interpret laws)*

   - Ask students to list in the third column resources that would be required for the government to carry out those duties. *(For example, in the legislative branch, representatives and the assistants who helped maintain their offices were **human** resources. To conduct business efficiently, the representatives needed a place to meet, discuss issues, and vote, so they acquired land—a **natural** resource. They built a meeting place and furnished it with desks, chairs, bookshelves, and other equipment and supplies—all important **capital** resources.)*

3. Explain that in addition to lawmaking duties, specific duties of the legislative branch were identified in the Constitution. Divide the class into groups and assign each group three powers granted to Congress in Article I, Section 8 (consult a copy of the Constitution in a U.S. history textbook). Ask students to complete their second copy of Student Handout 1 by writing "Article I, Section 8" in each box of the first column. The three powers assigned to the group should be entered into the three boxes of the second column. Students should fill in the third column with necessary resources, as in the following example.

Article/ Section	Basic Duties/ Power Granted	Resources
Article 1, Section 8	To lay and collect taxes, duties, imposts, and excises	Tax collectors, customs inspectors, assessors, customs buildings, tax offices, recordkeeping supplies, etc.

   - Ask each group to appoint a spokesperson to report on the group's assigned legislative functions and needed resources.

   - To end the activity, point out that to pay for these activities and resources, the government had to generate revenues through taxation.

Extension Activity 2: Taxes Shift Resources

1. Ask students to give examples of some government goods and services. *(armed forces, postal service, highways, dams, waste water treatment, bridges, schools, libraries, etc.)*

2. Explain that resources are factors used to produce goods and services. Ask students to identify resources that are used to produce education in their school. *(building, land, teachers, books, desks, chalkboards, athletic facilities, electricity, etc.—don't forget students, also an important resource.)*

   - Remind students that resources can be used to produce goods and services for the government and for private individuals and businesses. When the government collects taxes to buy resources, these resources can be shifted from private use to public use.
   - Explain that choices are made everyday about how resources will be used. If they are used one way, then they cannot be used in another. **Opportunity cost** is the economic term used to identify what has been given up when a choice is made. If young people are enlisted in the armed services, they cannot be in the labor force producing private goods and services like automobiles, clothes, furniture, etc. The opportunity costs of young people enlisting in the armed services are the private goods and services that will not be produced.
   - Give an example of an opportunity cost from your own life. *(Perhaps you will attend a school athletic or musical event; the opportunity cost is the homework you will not grade.)*
   - Ask students to identify opportunity costs they have incurred. *(examples: quit the basketball team to get a part-time job, gave up time with friends to spend time with parents; did homework instead of calling a friend)*

3. Distribute a copy of Student Handout 2 (page 22) to each student. Read the instructions and direct students to complete the handout, following the example provided in the first line. Student answers will be similar in the "Resource" column but will vary in the "Opportunity Cost" column.

   - When students are finished, discuss the resources and opportunity costs identified by the class.
   - Conclude the activity by reminding students that taxes shift resources from private uses to government uses.

Extension Activity 3: Withholding Taxes

1. Ask students to identify the different types of taxes that they or their parents pay. *(sales, income, property)*

2. Explain that the federal government receives most of its revenue from taxes on income of individuals and businesses.

   - Ask students what date income tax returns must be filed with the Internal Revenue Service (IRS). *(on or before April 15)*
   - Explain that although April 15 is the filing deadline, that is not the day that most people actually pay their income taxes. Most are paid throughout the year, when employers withhold tax money from each paycheck and send the money to the IRS.
   - When employers withhold tax money from their workers' income, they need to know important information to compute the correct amount. Ask students what kind of information they think is needed. *(how much income the person earns—generally, the more you earn, the more you pay)*
   - Explain that employees may reduce the amount of personal income taxes that are withheld from their paychecks by filing a Form W-4 with their employers. (Note: There are several ways to reduce the amount of withholding; however, this lesson discusses only the personal allowances.)

3. Distribute copies of Student Handout 3 (Form W-4, page 23). Using a transparency of the form, ask students to fill in the boxes as you provide the following hypothetical data. Instructions and answers are printed in italics.

   David K. Suiter, an electrical engineer, lives at 1234 Nice Street in Hometown, MO 63011. *Complete box 1 of Form W-4, "Employee's Withholding Certificate," in lower half of page.* His social security number is 987-00-4321 *(box 2).* He has a wife *(box 3),* who is a lawyer. *Now move to the Personal Allowances Worksheet, in the middle of the form. In general, the more personal allowances claimed, the less tax money will be withheld from paychecks. Complete lines A and C (enter "0" for David's spouse—because she*

also works she will file a W-4 form and claim her personal exemption there). Line B doesn't apply to the couple. The Suiters have three children, ages 3, 4, and 6 *(line D). Line E doesn't apply.* Because both parents work, they spend about $8000 a year on day care for their children. *Complete lines F and G; total allowances equals 5. Ignore the options under line G. Return to Form W-4 and complete box 4. Do not complete boxes 5 and 6 to avoid complications. Sign the form for David Suiter and write the date.*

For independent practice, ask students to complete another copy of Student Handout 3 using the following data.

Janis Rogers is 19 years old and is a full-time student at Succeed University. She is very lucky because her parents pay a lot of money for her tuition, room and board, and books. She must work to earn spending money, which she likes to use for clothes and snacks. She has worked hard saving the money she earns in the summer as a waitress. She has been working and paying income taxes since she was 16. Complete Form W-4 for Janis using the Personal Allowances Worksheet. You can make up an address and social security number. *(Answers: Lines B, G, and 4 equal 1 allowance. Janis is a dependent of her parents, and cannot claim an allowance in line A. Lines C–F and 5 don't apply. Janis doesn't meet the conditions under line 6 (she paid taxes last year), so she can't claim exemption. Line 7 is "yes.")*

The Protective Tariff Issue, 1832

Purpose

To help students understand that taxes influence peoples' economic behavior

Objectives

After completing the lesson, students will be able to explain that

- tax policy can be used by a government to influence what people do
- people can avoid tax payments by not buying or selling what is taxed
- taxes can affect different people, in different places, in different ways
- tax exemptions or deductions can influence what people do

Curriculum Connection

This lesson focuses on the central theme that taxes have influenced behavior throughout U.S. history. The following events, documents, and ideas in Lesson 2 are found in typical middle and junior high school curricula.

- the American System
- the enactment of protective tariffs
- the rise of sectional interests
- the Tariff of 1828
- the Tariff of 1832
- The nullification controversy in South Carolina
- President Andrew Jackson's reaction to nullification

Program Summary

In 1832, Louisa Hampton argues with her brother, Matthew Gist, about protective tariffs and the nullification issue. Louisa's son, Harry, and Matthew's daughter, Abby, review the events that have led to the present disagreement.

Earlier in 1832, Harry leaves his family's plantation in South Carolina to attend college in the North. He is staying with the Gists, whose textile mill has benefited from the protective tariffs. The tariffs encourage people to buy American-made products, reducing Matthew Gist's competition with foreign manufacturers.

Harry struggles to make his relatives understand how the protective tariffs have ruined the Southern economy. They increased the cost of many important British as well as American goods, making Southerners unable to buy as much. The British, in return, purchased less Southern cotton, and the plantations suffered. Harry stresses that it is mostly Northerners who profit from the tariffs.

Supporters of South Carolina's nullification proposal want to make the federal law null and void in their state. The Unionists believe that such an action threatens the states' bond as a nation. Harry's brother Will was caught in a fight between the two groups.

When Louisa visits the Gists, the tariffs and nullification are hotly debated. Harry and Abby try to imagine how taxes could be used to encourage people to do things, like give money to charities.

A newspaper article reports that President Jackson calls nullification an act of treason, and Louisa and Harry fear he will send troops into South Carolina. They decide to return home at once. As the program ends, Harry reviews what he has learned about how taxes can affect people's lives.

Key Terms

Tariff—a tax levied on imported goods

Revenue tariff—a tax on imported goods levied primarily to generate revenue for the government

Protective tariff—a tax levied on imported goods for the primary purpose of reducing domestic consumption of foreign-produced goods

Revenue—monies received from taxes and the sale of goods and services

Infant industry—a new or developing domestic industry whose costs of production are higher than those of established firms in the same industry in other countries

Teaching the Lesson

Before Viewing the Video Program

1. Pose the following question to students: "How would you react if a tax of $2 were placed on the admission price to a movie?" *(They may attend fewer movies because of the higher price; perhaps they will rent videotapes instead. The "law of demand" assures that fewer tickets will be sold: As price increases, quantity demanded decreases.)*

   - Explain that the imposition of this tax resulted in a behavior change—students are discouraged from attending movies because the tax has generated a higher price.

2. Remind students that the government must levy taxes to pay for the goods and services it supplies to the public. Taxes, however, may discourage or encourage certain behavior.

3. Explain that students will view a video about the controversial Tariff of 1832. Ask students to look for examples of how the tariffs encouraged and discouraged certain behaviors. Present the video program, "The Protective Tariff Issue,1832."

After Viewing the Video Program

1. Review the program's content and historical period with questions such as the following.

   - What are tariffs? *(taxes levied on imported goods)*

   - Identify and describe the two kinds of tariffs the federal government imposed in the early 1800s. *(**Revenue** tariffs generated income to pay for government operations and the provision of public goods and services. The government then imposed **protective** tariffs on some goods to protect certain American industries from foreign competition.)*

   - Explain that tariffs and sales of public lands were the two main revenue sources for our early government. In 1832, tariffs accounted for 89 percent of government revenue. However, some tariffs were levied not for revenue but to protect American infant industries such as the textile industry.

   - In the video, Matthew Gist explained how protective tariffs benefited the North. Ask students to identify the points of his argument. Write these on the chalkboard, then help students arrange them in a logical order. *[example: **Northern Viewpoint**—(1) War of 1812 and embargo on British trade end; (2) U.S. consumers increase purchases of British goods; (3) U.S. manufacturers sell fewer goods and earn less income; (4) Protective tariffs enacted; (5) Prices of British goods increase; (6) Consumers buy fewer British goods and more U.S. goods; (7) U.S. manufacturing industries sell more goods and earn more income]*

   - Harry tells Abby and Matthew how the protective tariffs are hurting the South. Ask students to identify the points of the Southern position, and help them arrange the statements in a logical order. *[example: **Southern Viewpoint**—(1) War of 1812 and embargo on British trade end; (2) The South buys more manufactured goods from Britain, which buys more cotton from the South; (3) Protective tariffs enacted; (4) Southerners' cost of living increases as the prices of manufactured goods rise; (5) Southern consumers buy fewer British goods and Britain earns less income; (6) Britain buys less cotton from the South; (7) Southern cotton growers suffer as their income decreases while cost of living increases]*

   - What behavior did the protective tariffs encourage? *(the production and consumption of American manufactured goods)*

- What behavior did the protective tariffs discourage? *(consumption of British goods)*
- Harry tells Abby that his brother Will was caught in a fight in South Carolina. Who was fighting? *(the Nullifiers and the Unionists)*
- What did the Nullifiers want? *(to get rid of the protective tariffs, which they viewed as unfair, by nullifying the federal tariff law)*
- How did President Andrew Jackson react to the nullification movement? *(He declared that nullification, the power of one state to annul a federal law, was incompatible with the idea of the Union. He considered it treason.)*
- Abby and Harry thought it would be nice if taxes could influence behavior they preferred. What were their suggestions? *(income tax deductions to encourage charitable contributions; tax exemptions or deductions to encourage college educations)*
- Have students summarize what they learned in the lesson. *(Responses should parallel the lesson objectives.)*

2. Conclude the lesson by asking for answers to the thought question printed on the "Protective Tariff Issue" segment of the accompanying poster: **Under what circumstances should the government use tax policy to influence what people do?** *(Answers should be based on the main points developed in this lesson.)*

Extending the Lesson

Extension Activity 1: Tariffs and Nullification—A Compromise

1. Using a transparency of the Lesson 2 timeline (page 24), review the series of events that led to South Carolina's Ordinance of Nullification and President Jackson's military response.
   a. After the War of 1812, the federal government needs revenue to pay off the war debt and to provide public goods for a growing nation. Revenue comes primarily from tariffs and the sale of public lands.
   b. Federal policy focuses on promoting productivity, growth, and economic development of the Union. Henry Clay names this the "American System." The policy's main measure is the protective tariff, which encourages manufacturing and purchase of American goods and reduces imports of goods from Europe.
   c. The Tariff of 1816 provides protection to several industries. It is designed to be a temporary measure but becomes an essential part of the American System.
   d. The Tariff of 1824 raises tariffs from an average of 25 percent of the value of imported goods to an average of about 33 percent.
   e. The Tariff of 1828, the so-called Tariff of Abominations, raises the average tariff to 50 percent of the value of an imported good. It imposes especially heavy rates on iron, wool, hemp, and finished woolens. The South is extremely displeased. Some Northerners are displeased about high tariffs on the raw materials they need to produce goods.
   f. After Andrew Jackson is elected President, Congress debates a reduction in the tariffs and enacts the Tariff of 1832, reducing duties to an average of 33 percent—the average level in 1824.
   g. This reduction is unacceptable to the South because the tariff is still highly protective. South Carolina Senator John C. Calhoun suggests that a state could declare a federal law null and void. South Carolina issues an Ordinance of Nullification, declaring the tariffs of 1828 and 1832 null and void. It threatens secession if the federal government tries to enforce the tariffs.
   h. President Jackson indicates that he is flexible on the tariffs but firm against nullification. He suggests that Congress lower import duties, but also sends troops to the federal forts in Charleston, S.C. As the crisis worsens, Calhoun and other Congressional leaders push for a compromise.
2. Explain to students that they will try to develop a compromise tariff to avoid

possible secession of South Carolina from the Union and a devastating war over nationalism and states' rights.

- Divide the class into small groups of about four to five students. Each group will represent the viewpoint of a senator in the North, South, or West. Give each group one of the senator descriptions in Student Handout 4 (page 25). Ask students to read the senator's opinions and prepare a short, persuasive speech about protective tariffs and the issue of nullification. A spokesperson for the group will present the speech to the class.
- After each group has presented its arguments, ask them to consider what compromises they are willing to make to reduce the undesirable economic impact of the tariff and thus avoid war. Ask for specific recommendations on tariff rates and an implementation plan. Encourage groups to negotiate with one another to resolve their conflicts.
- Ask the class to convene as a session of Congress. Ask the groups to describe their recommendations for a compromise. Vote on the compromise proposals.
- Compare the class resolution to the Compromise Tariff of 1833. Explain that John Calhoun and Henry Clay were very concerned about avoiding a war. They worked hard to negotiate the compromise, which lowered tariffs in slow stages to the 20 percent level by 1842. Congress approved this plan, but refused to compromise on the issue of nullification. South Carolina then accepted the Compromise Tariff and rescinded its Ordinance of Nullification. A major challenge to the U.S. Constitution and to the principle of majority rule was successfully met.

Extension Activity 2: Taxes Influence Economic Behavior

1. Ask students to explain why governments impose taxes. *(to pay for public goods and services)*
   - Explain that when taxes are imposed they will affect people in different ways and will encourage or discourage the economic decisions of individuals and businesses.
2. Distribute a copy of Student Handout 5 (page 26) to each student. Using a transparency of the handout, read the instructions and complete the answers as a class or assign as homework.
   - The first change in tax policy has been completed for the students. Because the new tariff increased the price of foreign textiles, Americans were discouraged from buying the more expensive foreign products and encouraged to purchase cheaper American ones.
   - Complete the next example of a decrease in a tariff on iron. In this case, a lower tariff reduces the price of iron. Americans would be encouraged to buy cheaper foreign iron and discouraged from purchasing more expensive American iron.
   - Item #3 indicates that tax deductions are available for charitable contributions. Ask students how the U.S. government collects most of its taxes today. *(personal and business income taxes)* Explain that taxpayers are able to reduce the amount of income on which they pay taxes through deductions and exemptions. What type of behavior might this new policy change? *(People might give more money to charities rather than paying it in taxes. It is difficult to make a case for a behavior that will be discouraged.)*
   - In the case of item #4, taxpayers are allowed a deduction for the interest they pay on home mortgages. This might encourage the purchase of homes and discourage renting apartments or houses.
   - In item #5, taxpayers are discouraged from making purchases with credit cards if they cannot deduct the interest. The policy might encourage paying with cash or saving for a large purchase.
   - In item #6, taxpayers are exempt from paying taxes on interest earned on U.S. savings bonds. This might encourage people to save money with federal bonds and discourage saving in other forms, such as a C.D. (certificate of deposit).

Extension Activity 3: Changing Behavior through Tax Deductions—The IRA Deduction

1. Explain that students will act as professional tax form preparers and complete a sample form that is used by millions of families in the U.S.—the 1040A. This form allows the IRA (Individual Retirement Account) deduction that encourages a certain type of behavior.

2. Distribute copies of Student Handout 6 (Form 1040A, pages 27–28). Using a transparency of the form, work through it with students using the following information. **NOTE: Form 1040A refers to a variety of exemption and deduction situations, most of which have been ignored to simplify this activity. The information in parentheses below will help students complete only the pertinent computations for this exercise. Correct answers are shown in italics.**

   - John and Mary Smith live at 378 N. Oak St. in Farmington, IA 50233. Their social security numbers are 488-00-2323 and 488-00-9834, respectively. Complete Step 1 on the 1040A form (students can decide if the Smiths will contribute to the Presidential Election Campaign Fund).
   - John and Mary are married and will file a joint return. Complete Step 2 (check the box in line 2 only).
   - In Step 3, the Smiths can declare their exemptions. Explain that Congress included exemptions for each member of the family so that even families with low incomes will not pay taxes so high that they do not have enough left for their living expenses. [The issue of whether someone is a qualified dependent (line 6d) is ignored in this lesson.] The Smiths have two children, Jane (age 13, SSN 453-00-2816) and Eric (age 10, SSN 467-00-3928). Both children live at home. Complete Step 3 *(4 exemptions, total).*
   - John works as a printer and earned $20,800 last year. Mary works as a nurse and earned $16,540 last year. They earned $236 in interest on their savings account (taxable interest income—line 8a). They had no other sources of income (lines 8b, 9, 10). Complete Step 4 *(total income on line 14 = $37,576).*
   - Complete Step 5. The Smiths have no adjustments to income (lines 15a–c). In this case, their **adjusted gross income** on line 16 is equal to their **total income** *($37,576).*
   - In Step 6, fill in line 17 (lines 18a–c don't apply). Enter on line 19 the standard deduction for a married couple filing jointly: $5,450 in 1990. Complete lines 20–22 to calculate **taxable income** *($37,576 – $5,450 – $8,200 = $23,926).*
   - Complete Step 7. Display a transparency of the Sample Tax Table (page 29) to let students locate the taxes the Smiths must pay on their taxable income *($3,589*—check "tax table" box in line 23). Assume that the taxes withheld and reported on the Smiths' W-2 forms were $4,300 (enter on line 28a; lines 24a–b, 26, and 28b–c don't apply to the Smiths). Complete Step 8. Explain that because more taxes were withheld from the Smiths than they owe, they are eligible for a tax refund of *$711.*

3. Distribute a second copy of Form 1040A. Ask students to complete steps 1 through 4 as before. Return to Step 5. Explain that the Smiths decided this year to save money in IRAs for their retirement. John saved enough in his IRA to earn a $1500 deduction; Mary earned a $1000 deduction from hers (lines 15a–b). Complete this step showing the change in total adjustments and how adjusted gross income has been reduced by *$2500* (line 15c) to *$35,076.*
   - In Step 6, ask students to calculate the new taxable income level (lines 19–21 remain constant): *$35,076 – $5,450–$8,200 = $21,426.* Find the tax due according to the tax table *($3,214*—enter on lines 23, 25, and 27).
   - Ask what has happened to the Smiths' tax bill. *(It has decreased from $3,589 to $3,214—a tax savings of $375.)* Have students compute the Smiths' refund (lines 29 and 30) and sign the form.
   - Ask students what behavior is encouraged with gross income reductions for IRAs. *(People are encouraged to increase their savings for retirement, because the additional savings reduces the amount of tax owed.)*

Fairness and the Income Tax, 1909

Purpose

To help students understand that it is difficult to reach agreement on the question, "What is a fair tax?"

Objectives

After completing the lesson, students will be able to explain that

- whenever taxes are imposed, the issue of fairness is raised
- ability to pay is one measure of tax fairness
- it is difficult to reach agreement on what is a fair tax

Curriculum Connection

This program addresses the issue of fairness in taxation and the efforts to implement a progressive income tax during the Populist/Progressive Era. Standard junior high and middle school textbook treatments of this subject include the following ideas found in Lesson 3.

- President Theodore Roosevelt's strong beliefs in progressivism
- the idea that government can use its power to ensure fair treatment of business, labor, and the public
- the idea of a progressive income tax as a seemingly fair way to provide revenues that would pay for the activities of an increasingly powerful government

Program Summary

Katie complains that the income tax is unfair—a co-worker earning more money than she earns pays less in taxes because he is married. Her grandfather muses about how people always argue the fairness of taxes.

In a flashback to 1909, Chris Bennison (Grandpa's father) tries to start his father's car. Mr. Bennison reacts to a newspaper article, commenting that a federal income tax was once declared unconstitutional and should stay that way.

At a nearby garage, Jerome Bailey tells his son, Cal, that a constitutional amendment to establish an income tax would be important. The Bennisons arrive with their car and Chris and Cal find that they share a passion for car racing.

The boys discuss taxes. Chris's father believes the excise and tariff laws tax and benefit everyone equally. Cal points out that less wealthy people don't have the ability to pay the same amount of taxes.

Chris tries to make his father see the Baileys' point of view. But Mr. Bennison believes an income tax would leave him less money to invest in making his business prosperous. This would lead to fewer jobs for workers.

The flashback ends and Grandpa explains that the 16th Amendment was ratified in 1913 and Congress passed an income tax law, but people still argue about the fairness of income taxes. Katie wonders what makes a tax fair.

Key Terms

Ability to pay—a criterion of tax fairness wherein people with higher incomes or more wealth pay higher taxes

Progressive (or graduated) income tax—a system where people with higher incomes pay a higher portion (percentage) of their income in taxes

Teaching the Lesson

Before Viewing the Video Program

1. Explain that whenever taxes are imposed, the fairness of what should be taxed, who should pay the taxes, and how

much they should pay is always debated. Ask students to identify as many taxes as they can. *(sales tax, gasoline tax, real estate tax, personal property tax, state income tax, federal income tax, etc.)*

- Ask students to explain why they think these taxes are fair or unfair. *(Answers will vary, but keep students focused on the idea that people have different ideas about fairness.)*

2. Explain that many Americans through history wanted to have a tax on people's income because revenues from tariffs were inadequate to support a growing government. Income tax laws were enacted by the Union during the Civil War and again in 1894. The first law was abolished in 1872 and the second was declared unconstitutional by the Supreme Court in 1895. But sentiment for an income tax grew, and Congress proposed an amendment to the Constitution that would permit such a tax.

3. Explain that students will view a video set in 1909 about some supporters and opposers of the 16th Amendment. Ask students to listen for why the characters think an income tax would be fair or unfair. Present the video program, "Fairness and the Income Tax, 1909."

After Viewing the Video Program

1. Display a transparency of the Lesson 3 timeline (page 30). Review the program's content and historical period with questions such as the following.

   - Why did Katie have money withheld from her paycheck? *(She had to pay income taxes on what she earned.)*
   - Why did Katie think the tax was unfair? *(Jose, another worker, was having less tax withheld from his paycheck because he was married, even though he earned more.)*
   - Before the 16th Amendment was passed, what kinds of taxes provided government revenues? *(tariffs on imported goods and excise taxes on the sale or use of some goods and services)*
   - Chris reminded Cal that they would pay the same tax if they each bought an imported British engine or a set of tires. Because they would pay the same, he believed the tax was fair. What did Cal argue? *(Cal said the tax took a higher portion of poor people's income than of rich people's, so it was a greater burden on poor people.)*
   - What principle of tax fairness did Cal say was important to consider? *(ability to pay—people who earn more income should pay more taxes)*
   - What did President Taft want, regarding taxes? *(a constitutional amendment providing for an income tax)*
   - Why was Mr. Bennison opposed to the income tax? *(As a businessman he believed an income tax would leave him with less money to spend and invest in making his business prosper.)*
   - Mr. Bennison was concerned that if the 16th Amendment were ratified, Congress might enact a graduated income tax. How would such a tax work? *(People would pay a higher portion of their earnings on taxes as their incomes increased.)*
   - Would Cal support a graduated income tax? *(yes, because it would be based on the ability to pay)*
   - Are people happy with the income tax? *(not everyone—some still argue about what makes a tax fair)*

2. Have students summarize what they learned in the lesson. *(Answers should parallel the lesson objectives.)*

3. Finally, conclude the lesson by asking students to answer the thought question posed on the "Fairness and the Income Tax" segment of the accompanying poster: **What makes a tax fair?** *(Answers should reflect the main points developed in this lesson.)*

Extending the Lesson

Extension Activity 1: Income Tax Editorials

1. Explain that at the turn of the century the U.S. government was spending more money on more government services then ever before. Farmers wanted an extension service to provide educational and agricultural help. Westerners wanted public irrigation, land reclamation, and

conservation of natural resources. More public employees were needed to work in government regulatory agencies. More money was used for the nation's expansion into the Far East and Latin America. The rapidly growing urban population demanded more transportation, communication, recreation, housing, education, fire and police protection, sanitation, and welfare. The government had a revenue problem and needed a way to solve it. Some people proposed an income tax as the best solution.

- Explain that among all these demands on the government were concerns about equity (fairness). Many people were concerned about the enormous fortunes that a few industrial families were building. In 1910, the top four percent of American families received nearly 33 percent of the nation's income, while the poorest 65 percent earned about 14 percent. The rich were becoming richer; the poor were becoming poorer.

2. Show students an editorial page in a newspaper. Discuss the sections included (editorial, editorial cartoon, and letters to the editor). Ask students to define the purpose of each section. *(The editorial expresses the opinions of the editor, the editorial cartoon is an often humorous or sarcastic representation of a controversial topic, and the letters are sent to the newspaper by individuals who want to state their views.)*

   - Divide the class into three groups. Explain that each group will represent a newspaper in 1909 that has a specific point of view toward ratification of the proposed 16th Amendment. Each group will divide the work among its members to create an editorial page: one student will be the editor and write an editorial favoring or opposing the amendment; another will develop a related editorial cartoon; and the rest of the group will write letters to the editor, supporting or rejecting the amendment. Give each group a section of Student Handout 7 (page 31), which describes the opinions of a Populist newspaper in Kansas, a Progressive newspaper in Cleveland, Ohio, and a conservative Republican newspaper in New York City.
   - After students have completed their writing, have each group paste their sections on poster board to form an editorial page. (Note: In schools where computers are available, have students type their sections, and even design and print the page, if possible.)
   - Have students read other groups' editorial pages and discuss questions such as: Who was in favor and who opposed ratification of the 16th Amendment? Why did they favor or oppose it? What did the readers have to gain or lose by the amendment?

3. Conclude the activity by explaining that by early 1913, three-fourths of the states had ratified the 16th Amendment, including all states west of the Mississippi River except Utah. Southern states also supported it. The East was slower to ratify, but strong Progressive voices prevailed and many states eventually approved the amendment. New York ratified it on a second try.

Extension Activity 2: What Is a Fair Tax?

1. Explain that it is difficult for people to agree on the fairness of taxes. One principle of fairness that most people accept is the ability to pay taxes, based on one's income. In our progressive income tax system, people with higher incomes pay a higher percentage of their income on taxes than people with lower incomes. For example, a family might pay 15 percent on the first $32,000 in income. Then it might pay 28 percent on its income from $32,000 to $78,000. On its income above $78,000, it might pay 33 percent.

   - Distribute copies of Student Handout 8 (page 32) and discuss the instructions. Students are given four tax case studies of eight families to examine and determine what portion of each family's income is paid in taxes. Students must also determine if the tax is based on ability to pay, and if the tax is fair.
   - Display a transparency of Student Handout 8 and help students through the first case study. Explain that the tax law allows personal exemptions of $2,050 for each family member. Family B will be able to reduce its total

taxable income by a larger amount than Family A because B has more children. As a result, the portion of income paid on taxes is 11 percent for Family A *($4,624 ÷ $42,000 x 100)* and 8.9 percent for family B *($3,724 ÷ $42,000 x 100)*. Students may argue that this tax is based on ability to pay because the family with more children is less able to pay income taxes than the smaller family. Encourage discussion of whether this is fair.

- Continue working with the class on the next three cases or assign as independent practice.

  The second case considers the social security tax. In 1990, the federal government assessed a 7.65 percent tax on income up to $51,300 for social security payments. Family C spends 7.65 percent of its income on social security taxes, but Family D spends only 3.9 percent of its total income on those taxes. Family D has a lower percentage because it doesn't have to pay the tax on any income over $51,300. Clearly, this tax violates the principle of ability to pay. Students may think this tax is unfair because richer people pay a smaller portion of their incomes on social security taxes.

  In case 3, Family E spends 19 percent of its income on taxes, and Family F spends 15.4 percent of its income. Why is the percentage higher for Family E than Family F? The federal-government allows a tax deduction for interest paid on home mortgage loans. This reduces the amount of gross income on which taxes must be paid. This tax policy is not based on ability to pay because people with the same income and expenses pay different rates. Students might think this is unfair. Encourage discussion.

  Family G's tax liability is 8.4 percent of its income. Family H must pay 20.9 percent of its income. In this case, tax liability is clearly based on the ability-to-pay principle. Students will probably think this is fair. Encourage discussion.

2. Ask students to think about taxes they or their families have paid. Have them discuss why they think the taxes are fair or unfair.

Extension Activity 3: The Income Tax Structure

1. Explain that every year millions of people file a tax return with the Internal Revenue Service (IRS). There are three basic forms for individuals and families: 1040EZ, 1040A, and 1040. The form that people use depends on their income, filing status, and tax deduction circumstances.

   - Students will probably use Form 1040EZ the first time they file an income tax report. The 1040EZ is the simplest tax form, designed for single taxpayers who are under 65, not blind, and earn incomes less than $50,000. Form 1040A is a little more complicated, but allows taxpayers to claim a deduction for an Individual Retirement Account (IRA). (See Lesson 2, Extension Activity 3 on page 12.)
   - Explain that Form 1040 is designed for more complicated tax reports, although it can also be used for simple, short reports. The form may be more involved than the others, but students can learn from it important aspects of our basic income tax structure.

2. Distribute Student Handout 9 (page 33) and display a transparency of the page, indicating that students should complete the boxes as they discuss how Form 1040 works.

   - Explain that the first tax information that must be provided on Form 1040 is the income earned by the taxpayer. Ask students to identify sources of income *(wages, salaries, interest, dividends, rent, and profit)*. Explain that taxpayers must add all these incomes and report the **total income.** Direct students to write "Income" in box 1.
   - Next, explain that some people can make **adjustments to income** to reduce the total on which they will pay taxes. The IRA deduction is a very common adjustment. Direct students to write "Adjustments to Income" in box 2 on the handout.

- Point out that the adjustments to income are subtracted from total income to calculate **adjusted gross income**. Direct students to write "Adjusted Gross Income" in box 3.
- Explain that taxpayers do not pay taxes on their adjusted gross income, because they can still subtract from it certain tax **deductions** and **exemptions** to lower their taxable income. There are two types of deductions: itemized and standard.
- Over the years, Congress has identified several family expenses as deductions, and to claim these, taxpayers must complete a separate form: Schedule A, Form 1040. Have students write "Itemized Deductions" in box 4. Some expenses that are deductible include: very high medical and dental expenses, state and local income taxes, real estate taxes, personal property taxes, interest that people pay on home mortgages, contributions to charitable organizations, costly casualties (such as tornado or flood damage to a home) or a large theft, and sometimes, moving expenses because of job relocation.
- Ask students why they think the federal government allows these deductions. *(Students may argue that they are based on a fairness criterion: If people have very high medical bills or a serious loss, they may be unable to pay taxes at a higher level. This could be argued from an ability-to-pay perspective. However, the home mortgage interest is more difficult to argue with this fairness criterion.)*
- Point out that if people do not have very many deductions, the government provides for a standard deduction. The amount that an individual or family receives depends on their filing status. The standard deduction in 1990 for a married couple filing jointly was $5,450. Complete box 5, writing "Standard Deduction."
- Explain that the standard or itemized deductions are subtracted from adjusted gross income. Ask students to write "Income After Deductions" in box 6.
- Taxpayers can also subtract personal exemptions. Typically, these are allowed for each family member living in the home. In 1990, an exemption of $2,050 was allowed for each eligible person. Ask students to explain why they think these exemptions are included. *(Once again, the issue of tax fairness in terms of ability to pay is involved. Families that have more members to support would have less money available to pay taxes.)* Direct students to write "Exemptions" in box 7.
- Ask students to write "**taxable income**" in box 8. This is the remaining figure after exemptions have been subtracted. It is an important number, because this is the amount of income on which taxpayers must pay taxes. The tax is computed by using tax tables or a tax rate schedule provided by the government.
- Direct students to the Sample Tax Schedule at the bottom of Handout 9. Ask them to note that the percentages of tax that must be paid on higher incomes increases. Why? *(The federal government has implemented a progressive tax structure. People with higher incomes must pay a larger portion of their income on taxes than people with lower incomes. This is based on the fairness criterion of ability to pay.)* Ask students to compute the tax due on a taxable income of $80,000. *[$17,733.50 + (0.33 x ($80,000- $78,400)) = $18,261.50]*

3. Remind students that taxpayers must keep good records so they can report accurate income, deduction, and exemption information to the IRS. Explain that the IRS depends on honest reporting, but does conduct random audits (checks) on tax reports to make sure that people file correctly. If taxpayers fail to report accurate information, they may be subject to penalties.

Suggested Evaluation Questions

Lesson 1—"The Whiskey Rebellion: First Test of the Federal Power to Tax, 1794"

1. The federal government needs revenue from taxes to pay for
   a. highways, armed forces, and jewelry
   b. highways, armed forces, and federal courts
   c. armed forces, federal courts, and rock concerts
   d. federal courts, children's toys, and video games

2. An example of shifting resources from private to public (government) use is
   a. using steel to produce more aircraft carriers and giving up bridges
   b. using concrete to produce more prisons and giving up highways
   c. using rubber to produce more tires for mail trucks and giving up tires for family cars
   d. using cloth to produce more personal clothing and giving up military uniforms

3. Which of the following became an important source of government revenue when the U.S. Constitution was adopted in 1788?
   a. a lottery
   b. borrowing money from the states
   c. taxes
   d. selling public land

4. Which of the following statements best describes why George Washington sent troops to put down the Whiskey Rebellion?
   a. The Whiskey Tax was unfair to farmers.
   b. Taxes are required payments imposed by governments.
   c. The legislature of Pennsylvania declared the Whiskey Tax "uncollectible."
   d. Corn farmers were attacking whiskey mills.

Lesson 2—"The Protective Tariff Issue, 1832"

1. U.S. tariffs on foreign automobiles would
   a. encourage people to buy more imported automobiles
   b. discourage people from buying American automobiles
   c. discourage people from buying foreign automobiles
   d. encourage people to buy more imported and more American automobiles

2. A tax deduction for interest paid on home mortgages encourages
   a. people to buy houses
   b. people to rent apartments
   c. home builders to build fewer houses
   d. people to pay cash for their homes

3. Which of the following statements best describes why governments collect taxes?
   a. Governments collect taxes to encourage the sale of public land.
   b. Governments can use taxes to influence what people do.
   c. Governments use taxes to provide services.
   d. b and c

4. The program showed that when a tax is imposed
   a. everyone is affected in the same way
   b. everyone benefits from it
   c. different people are affected in different ways
   d. it does not affect people's lives

Lesson 3—"Fairness and the Income Tax, 1909"

1. The issue of fairness in taxation focuses on
   a. what should be taxed
   b. who ought to pay
   c. how much should be paid
   d. all of the above
   e. none of the above

2. Which of the following statements best describes the "ability-to-pay" measure of tax fairness?
   a. People should be allowed to pay taxes in cash, by check, or with a credit card.
   b. People with higher incomes should pay more taxes.
   c. People should have their taxes taken out of their paychecks.
   d. People should start paying taxes when they are in their forties.

3. Which of the following statements best describes the main idea in the video program?
   a. Racing teams don't often make money when they are run by two boys.
   b. Chris needs to go to engineering college before starting a company.
   c. Cal's race car will not run without blueprints to guide his work.
   d. It is difficult to reach agreement on what is a fair tax.

Answers

Lesson 1	1. b	2. c	3. c	4. b
Lesson 2	1. c	2. a	3. d	4. c
Lesson 3	1. d	2. b	3. d	

Timeline of Events: 1781–1794

1781 Articles of Confederation ratified without giving the Confederation Congress the power to tax

1787 Constitutional Convention meets and considers the issue of taxation

1788 Constitution of the United States ratified, giving the new Federal government power to tax

1789 First Congress meets and enacts the first Federal tax law

1791 Congress enacts Whiskey Tax

1794 Whiskey Rebellion occurs and is suppressed by the Federal government

Name _____ Date _____

The Constitution and the Powers of the New Government

The Articles of the Constitution defined how the federal government would accomplish the goals of the Preamble. Specific powers of the government were established throughout the document, especially in Article I, Section 8. Using the following chart and a copy of the Constitution, list specific examples of resources the government needed to implement its powers.

Article/Section	Basic Duties/ Power Granted	Resources

Name _____ Date _____

Taxes Shift Resources

Resources are factors used to produce goods and services in our economy. These resources can be used to produce private goods and services for individuals and businesses or they can be used by the government for providing government goods and services.

The amount of resources available in our economy is limited. If the government uses tax money for resources to provide government goods and services, then some private goods and services must be given up. **Opportunity cost** is the economic term used to identify what has been given up when a choice is made.

In the chart below, read each event and identify the resource that is shifted to public use. Then identify a possible private good or service that may be given up (opportunity cost).

Event	Resource	Opportunity Cost
More people find jobs building new postroads.	workers	construction of houses or office buildings
The U.S. Postal Service orders more mail wagons.		
More people are moving to the Western frontier and a larger army is needed to protect citizens.		
The government decides to start a navy.		
The government decides to build canals for trade and transportation.		
Tax collectors are hired by the government to collect taxes and enforce tax laws.		
Customs houses are built in ports for inspection of imported goods and collection of duties.		

Name _____ Date _____

Withholding Taxes

1990 Form W-4

Department of the Treasury
Internal Revenue Service

Purpose. Complete Form W-4 so that your employer can withhold the correct amount of Federal income tax from your pay.

Exemption From Withholding. Read line 6 of the certificate below to see if you can claim exempt status. *If exempt, complete line 6, but do not complete lines 4 and 5.* No Federal income tax will be withheld from your pay. This exemption expires February 19, 1991.

Basic Instructions. Employees who are not exempt should complete the Personal Allowances Worksheet. Additional worksheets are provided on page 2 for employees to adjust their withholding allowances based on itemized deductions, adjustments to income, or two-earner/two-job situations. Complete all worksheets that apply to your situation. The worksheets will help you figure the number of withholding allowances you are entitled to claim. However, you may claim fewer allowances than this.

Head of Household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals.

Nonwage Income. If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form 1040-ES. Otherwise, you may find that you owe additional tax at the end of the year.

Two-Earner/Two-Job. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. This total should be divided among all jobs. Your withholding will usually be most accurate when all allowances are claimed on the W-4 filed for the highest paying job and zero allowances are claimed for the others.

Advance Earned Income Credit. If you are eligible for this credit, you can receive it added to your paycheck throughout the year. For details, obtain Form W-5 from your employer.

Check Your Withholding. After your W-4 takes effect, you can use **Publication 919,** Is My Withholding Correct for 1990?, to see how the dollar amount you are having withheld compares to your estimated total annual tax. Call 1-800-424-3676 (in Hawaii and Alaska, check your local telephone directory) to order this publication. Check your local telephone directory for the IRS assistance number if you need further help.

Personal Allowances Worksheet

A Enter "1" for **yourself** if no one else can claim you as a dependent . . . . . A ____

B Enter "1" if:
1. You are single and have only one job; or
2. You are married, have only one job, and your spouse does not work; or
3. Your **wages** from a second job or your spouse's wages (or the total of both) are $2,500 or less.

. . . . . B ____

C Enter "1" for your **spouse.** But, you may choose to enter "0" if you are married and have either a working spouse or more than one job (this may help you avoid having too little tax withheld) . . . . . C ____

D Enter number of **dependents** (other than your spouse or yourself) whom you will claim on your tax return . . . . . D ____

E Enter "1" if you will file **as a head of household** on your tax return (see conditions under "Head of Household," above) . . . . . E ____

F Enter "1" if you have at least $1,500 of **child or dependent care expenses** for which you plan to claim a credit . . . . . F ____

G Add lines A through F and enter total here . . . . . ▶ G ____

For accuracy, do all worksheets that apply.

- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, turn to the Deductions and Adjustments Worksheet on page 2.
- If you are **single** and have **more than one job** and your combined earnings from all jobs exceed $25,000 OR if you are **married** and have **a working spouse or more than one job,** and the combined earnings from all jobs exceed $44,000, then turn to the Two-Earner/Two-Job Worksheet on page 2 if you want to avoid having too little tax withheld.
- If **neither** of the above situations applies to you, **stop here** and enter the number from line G on line 4 of Form W-4 below.

. . . . . **Cut here and give the certificate to your employer. Keep the top portion for your records.** . . . . .

Form **W-4** Department of the Treasury Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ **For Privacy Act and Paperwork Reduction Act Notice, see reverse.**

OMB No. 1545-0010
1990

1 Type or print your first name and middle initial | Last name | 2 Your social security number

Home address (number and street or rural route)

City or town, state, and ZIP code

3 Marital status: ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate
Note: *If married, but legally separated, or spouse is a nonresident alien, check the Single box.*

4 Total number of allowances you are claiming (from line G above or from the Worksheets on back if they apply) . . . 4

5 Additional amount, if any, you want deducted from each pay . . . 5 $

6 I claim exemption from withholding and I certify that I **meet ALL** of the following conditions for exemption:
- Last year I had a right to a refund of **ALL** Federal income tax withheld because I had **NO** tax liability; **AND**
- This year I expect a refund of **ALL** Federal income tax withheld because I expect to have **NO** tax liability; **AND**
- This year if my income exceeds $500 and includes nonwage income, another person cannot claim me as a dependent.

If you meet all of the above conditions, enter the year effective and "EXEMPT" here . . . ▶ 6 19

7 Are you a full-time student? (**Note:** *Full-time students are not automatically exempt.*) . . . 7 ☐ Yes ☐ No

Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate or entitled to claim exempt status.

Employee's signature ▶ **Date** ▶ , 19

8 Employer's name and address (**Employer:** Complete 8 and 10 **only if sending to IRS**) | 9 Office code (optional) | 10 Employer identification number

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Timeline of Events: 1812–1833

1812 Embargo placed on the import of British goods during War of 1812

1815 War ends; lower-priced British manufactured goods again sold in U.S. markets

1816 Congress adopts a tariff protecting U.S. industries from foreign competition

1824 Tariff raised because Britain is still able to compete effectively with American industries

1828 Protective tariff raised again to better protect U.S. industries; is labeled the "Tariff of Abominations"

1832 Protective tariff modified to make it more acceptable, but Nullification Crisis occurs—South Carolina declares modified tariff "null, void, and no law"

1833 Nullification Crisis ends when the Federal Government establishes and South Carolina accepts Compromise Tariff, returning rates to 1816 levels by 1842

Taxes and Nullification: A Compromise

Senator from Massachusetts

The Facts

An embargo on British goods during the War of 1812 allowed U.S. infant industries to grow and prosper. When the embargo was lifted, manufacturers in your state were threatened by foreign competition.

The country is growing rapidly and Americans will be eager to buy more goods.

The government needs revenue to provide important public goods and services, such as the Cumberland Road, and to pay off its war debt.

The Tariff of 1828 imposed extremely high duties on the raw materials that manufacturers in your area need to produce goods and services.

Protective tariffs help your constituents sell products at higher prices, but they can't be too high or people won't buy as many and revenue will decrease.

In Your Opinion...

It is important to give infant industries a fair chance to become world competitors and provide employment to Americans.... The United States should become self sufficient....The Tariff of 1828 is unpopular because it reduces manufacturers' profits.

Senator from South Carolina

The Facts

The world production of cotton has grown rapidly and its price has fallen from 31¢ a pound in 1818 to 8¢ a pound in 1831. Meanwhile, cotton yields have fallen because of soil exhaustion.

South Carolinians import most of their goods from Europe or Northeastern states. But tariff levels doubled between 1816 and 1828, to about 50 percent of a good's value. The Tariff of 1832 reduced the average to 33 1/3 percent.

Southerners' cost of living has increased significantly while their income from the sale of cotton has fallen. Europeans aren't buying as much cotton because their income from Americans, who can't afford to buy as much, has decreased.

President Jackson has indicated his intentions to enforce federal tax laws.

In Your Opinion...

The 1832 tariff level of 33 1/3 percent is unacceptable. Tariffs are important for a strong U.S. economy, but the level is too high....Wealth is being transferred from the South to the North....Your state has the right to nullify a federal law and has passed an Ordinance of Nullification. Some people are even talking about secession from the Union. A devastating war might take place.

Senator from Ohio

The Facts

The federal government receives most of its revenue from tariffs and the sale of public lands in the West.

To help the growth of the West, the federal government needs a lot of revenue for internal improvements such as roads and canals.

Westerners have a strong, growing market for grains and livestock in the expanding country.

In Your Opinion...

Westerners need public policies that encourage productivity and the growth of a strong union....More government revenue should come from tariffs, rather than taxes, so the price of public land will be lower....The United States should not be dependent on Britain and Europe....Each section of the country should produce the goods for which it is best suited: cotton and rice in the South, grains and livestock in the West, and manufacturing in the Northeast.

Name _____ Date _____

Taxes Influence Economic Behavior

Taxes on goods and services influence the economic behavior of individuals and businesses. These taxes may encourage or discourage certain behaviors. For example, tariffs discourage people from buying foreign goods. Exemptions and deductions from taxes encourage people to more frequently engage in activities or buy products that offer exemption.

The following chart lists some possible tax changes in U.S. history and today. In each case, identify behaviors that may be encouraged or discouraged. The first case is provided as an example.

Change in Tax Policy	Behavior Discouraged	Behavior Encouraged
1. Congress increases the tariff on textiles from 25 percent to 33 percent.	consumers buying imported textiles	consumers buying American textiles
2. Congress decreases the tariff on iron from 50 percent to 25 percent.		
3. Congress implements a tax deduction for charitable contributions.		
4. Congress implements a tax deduction for interest paid on home mortgages.		
5. Congress eliminates the tax deduction for interest paid on credit card charges.		
6. Interest earned on U.S. saving bonds is exempt from state and local taxes.		

Name _____ Date _____

Form 1040A

Form **1040A** — Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 1990

OMB No. 1545-0085

Step 1 Label (See page 14.) Use IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial / Last name

If a joint return, spouse's first name and initial / Last name

Home address (number and street). (If you have a P.O. box, see page 14.) / Apt. no.

City, town or post office, state, and ZIP code. (If you have a foreign address, see page 14.)

Your social security no.

Spouse's social security no.

For Privacy Act and Paperwork Reduction Act Notice, see page 3.

Presidential Election Campaign Fund (see page 15)

Do you want $1 to go to this fund? ☐ Yes ☐ No

If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☐ No

Note: Checking "Yes" will not change your tax or reduce your refund.

Step 2 Check your filing status (Check only one.)

1 ☐ Single. (See page 16 to find out if you can file as head of household.)

2 ☐ Married filing joint return (even if only one had income)

3 ☐ Married filing separate return. Enter spouse's social security number above and spouse's full name here ▶ _____

4 ☐ Head of household (with qualifying person). (See page 16.) If the qualifying person is your child but not your dependent, enter this child's name here ▶ _____

5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19 ____). (See page 17.)

Step 3 Figure your exemptions (See page 17.)

6a ☐ **Yourself** If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a. But be sure to check the box on line 18b on page 2.

6b ☐ **Spouse**

No. of boxes checked on 6a and 6b ____

c Dependents: 1. Name (first, initial, and last name)	2. Check if under age 2	3. If age 2 or older, dependent's social security number	4. Dependent's relationship to you	5. No. of months lived in your home in 1990

If more than 7 dependents, see page 20.

No. of your children on 6c who:
- lived with you ____
- didn't live with you due to divorce or separation (see page 21) ____

No. of other dependents listed on 6c ____

d If your child didn't live with you but is claimed as your dependent under a pre-1985 agreement, check here ▶ ☐

e Total number of exemptions claimed. Add numbers entered on lines above ☐

Step 4 Figure your total income

Attach Copy B of your Forms W-2 and W-2P here.

Attach check or money order on top of any Forms W-2 or W-2P.

7 Wages, salaries, tips, etc. This should be shown in Box 10 of your W-2 form(s). (Attach Form(s) W-2.) 7

8a **Taxable interest income** (see page 23). (If over $400, also complete and attach Schedule 1, Part I.) 8a

b **Tax-exempt interest.** (DO NOT include on line 8a.) 8b

9 Dividends. (If over $400, also complete and attach Schedule 1, Part II.) 9

10a Total IRA distributions. 10a — 10b Taxable amount (see page 24). 10b

11a Total pensions and annuities. 11a — 11b Taxable amount (see page 25). 11b

12 Unemployment compensation (insurance) from Form(s) 1099-G. 12

13a Social security benefits. 13a — 13b Taxable amount (see page 28). 13b

14 Add lines 7 through 13b (far right column). This is your **total income.** ▶ 14

Step 5 Figure your adjusted gross income

15a Your IRA deduction from applicable worksheet. 15a

b Spouse's IRA deduction from applicable worksheet. *Note: Rules for IRAs begin on page 30.* 15b

c Add lines 15a and 15b. These are your **total adjustments.** 15c

16 Subtract line 15c from line 14. This is your **adjusted gross income.** (If less than $20,264, see "Earned income credit" on page 38.) ▶ 16

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Name _____ Date _____

Form 1040A (continued)

1990 Form 1040A Page 2

Step 6
Figure your standard deduction, exemption amount, and taxable income

17 Enter the amount from line 16. 17

18a Check if: ☐ You were 65 or older ☐ Blind ☐ Spouse was 65 or older ☐ Blind — Enter number of boxes checked ▶ 18a ☐

b If your parent (or someone else) can claim you as a dependent, check here ▶ 18b ☐

c If you are married filing separately and your spouse files Form 1040 and itemizes deductions, see page 34 and check here ▶ 18c ☐

19 Enter your standard deduction. See page 35 for the chart (or worksheet) that applies to you. Be sure to enter your standard deduction here. 19

20 Subtract line 19 from line 17. (If line 19 is more than line 17, enter -0-.) 20

21 Multiply $2,050 by the total number of exemptions claimed on line 6e. 21

22 Subtract line 21 from line 20. (If line 21 is more than line 20, enter -0-.) This is your **taxable income**. ▶ 22

Step 7
Figure your tax, credits, and payments

If you want IRS to figure your tax, see the instructions for line 22 on page 36.

23 Find the tax on the amount on line 22. Check if from: ☐ Tax Table (pages 49-54) or ☐ Form 8615 (see page 36) 23

24a Credit for child and dependent care expenses. Complete and attach Schedule 2. 24a

b Credit for the elderly or the disabled. Complete and attach Schedule 3. 24b

c Add lines 24a and 24b. These are your **total credits**. 24c

25 Subtract line 24c from line 23. (If line 24c is more than line 23, enter -0-.) 25

26 Advance earned income credit payments from Form W-2. 26

27 Add lines 25 and 26. This is your **total tax**. ▶ 27

28a Total Federal income tax withheld. (If any is from Form(s) 1099, check here ▶ ☐ .) 28a

b 1990 estimated tax payments and amount applied from 1989 return. 28b

c **Earned income credit.** See page 38 to find out if you can take this credit. 28c

d Add lines 28a, 28b, and 28c. These are your **total payments**. ▶ 28d

Step 8
Figure your refund or amount you owe

29 If line 28d is more than line 27, subtract line 27 from line 28d. This is the amount you **overpaid**. 29

30 Amount of line 29 you want **refunded to you**. 30

31 Amount of line 29 you want **applied to your 1991 estimated tax**. 31

Attach check or money order on top of Form(s) W-2, etc. on page 1.

32 If line 27 is more than line 28d, subtract line 28d from line 27. This is the **amount you owe**. Attach check or money order for full amount payable to "Internal Revenue Service." Write your name, address, social security number, daytime phone number, and "1990 Form 1040A" on it. 32

33 Estimated tax penalty (see page 42). 33

Step 9
Sign your return

Keep a copy of this return for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature | Date | Your occupation

Spouse's signature (if joint return, BOTH must sign) | Date | Spouse's occupation

Paid preparer's use only

Preparer's signature | Date | Check if self-employed ☐ | Preparer's social security no.

Firm's name (or yours if self-employed) and address | E.I. No. | ZIP code

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Name _____ Date _____

Sample Tax Table

If Form 1040A, line 22, is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
20,000					
20,000	20,050	3,079	3,004	3,498	3,004
20,050	20,100	3,093	3,011	3,512	3,011
20,100	20,150	3,107	3,019	3,526	3,019
20,150	20,200	3,121	3,026	3,540	3,026
20,200	20,250	3,135	3,034	3,554	3,034
20,250	20,300	3,149	3,041	3,568	3,041
20,300	20,350	3,163	3,049	3,582	3,049
20,350	20,400	3,177	3,056	3,596	3,056
20,400	20,450	3,191	3,064	3,610	3,064
20,450	20,500	3,205	3,071	3,624	3,071
20,500	20,550	3,219	3,079	3,638	3,079
20,550	20,600	3,233	3,086	3,652	3,086
20,600	20,650	3,247	3,094	3,666	3,094
20,650	20,700	3,261	3,101	3,680	3,101
20,700	20,750	3,275	3,109	3,694	3,109
20,750	20,800	3,289	3,116	3,708	3,116
20,800	20,850	3,303	3,124	3,722	3,124
20,850	20,900	3,317	3,131	3,736	3,131
20,900	20,950	3,331	3,139	3,750	3,139
20,950	21,000	3,345	3,146	3,764	3,146
21,000					
21,000	21,050	3,359	3,154	3,778	3,154
21,050	21,100	3,373	3,161	3,792	3,161
21,100	21,150	3,387	3,169	3,806	3,169
21,150	21,200	3,401	3,176	3,820	3,176
21,200	21,250	3,415	3,184	3,834	3,184
21,250	21,300	3,429	3,191	3,848	3,191
21,300	21,350	3,443	3,199	3,862	3,199
21,350	21,400	3,457	3,206	3,876	3,206
21,400	21,450	3,471	3,214	3,890	3,214
21,450	21,500	3,485	3,221	3,904	3,221
21,500	21,550	3,499	3,229	3,918	3,229
21,550	21,600	3,513	3,236	3,932	3,236
21,600	21,650	3,527	3,244	3,946	3,244
21,650	21,700	3,541	3,251	3,960	3,251
21,700	21,750	3,555	3,259	3,974	3,259
21,750	21,800	3,569	3,266	3,988	3,266
21,800	21,850	3,583	3,274	4,002	3,274
21,850	21,900	3,597	3,281	4,016	3,281
21,900	21,950	3,611	3,289	4,030	3,289
21,950	22,000	3,625	3,296	4,044	3,296
22,000					
22,000	22,050	3,639	3,304	4,058	3,304
22,050	22,100	3,653	3,311	4,072	3,311
22,100	22,150	3,667	3,319	4,086	3,319
22,150	22,200	3,681	3,326	4,100	3,326
22,200	22,250	3,695	3,334	4,114	3,334
22,250	22,300	3,709	3,341	4,128	3,341
22,300	22,350	3,723	3,349	4,142	3,349
22,350	22,400	3,737	3,356	4,156	3,356
22,400	22,450	3,751	3,364	4,170	3,364
22,450	22,500	3,765	3,371	4,184	3,371
22,500	22,550	3,779	3,379	4,198	3,379
22,550	22,600	3,793	3,386	4,212	3,386
22,600	22,650	3,807	3,394	4,226	3,394
22,650	22,700	3,821	3,401	4,240	3,401
22,700	22,750	3,835	3,409	4,254	3,409
22,750	22,800	3,849	3,416	4,268	3,416
22,800	22,850	3,863	3,424	4,282	3,424
22,850	22,900	3,877	3,431	4,296	3,431
22,900	22,950	3,891	3,439	4,310	3,439
22,950	23,000	3,905	3,446	4,324	3,446

If Form 1040A, line 22, is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
23,000					
23,000	23,050	3,919	3,454	4,338	3,454
23,050	23,100	3,933	3,461	4,352	3,461
23,100	23,150	3,947	3,469	4,366	3,469
23,150	23,200	3,961	3,476	4,380	3,476
23,200	23,250	3,975	3,484	4,394	3,484
23,250	23,300	3,989	3,491	4,408	3,491
23,300	23,350	4,003	3,499	4,422	3,499
23,350	23,400	4,017	3,506	4,436	3,506
23,400	23,450	4,031	3,514	4,450	3,514
23,450	23,500	4,045	3,521	4,464	3,521
23,500	23,550	4,059	3,529	4,478	3,529
23,550	23,600	4,073	3,536	4,492	3,536
23,600	23,650	4,087	3,544	4,506	3,544
23,650	23,700	4,101	3,551	4,520	3,551
23,700	23,750	4,115	3,559	4,534	3,559
23,750	23,800	4,129	3,566	4,548	3,566
23,800	23,850	4,143	3,574	4,562	3,574
23,850	23,900	4,157	3,581	4,576	3,581
23,900	23,950	4,171	3,589	4,590	3,589
23,950	24,000	4,185	3,596	4,604	3,596
24,000					
24,000	24,050	4,199	3,604	4,618	3,604
24,050	24,100	4,213	3,611	4,632	3,611
24,100	24,150	4,227	3,619	4,646	3,619
24,150	24,200	4,241	3,626	4,660	3,626
24,200	24,250	4,255	3,634	4,674	3,634
24,250	24,300	4,269	3,641	4,688	3,641
24,300	24,350	4,283	3,649	4,702	3,649
24,350	24,400	4,297	3,656	4,716	3,656
24,400	24,450	4,311	3,664	4,730	3,664
24,450	24,500	4,325	3,671	4,744	3,671
24,500	24,550	4,339	3,679	4,758	3,679
24,550	24,600	4,353	3,686	4,772	3,686
24,600	24,650	4,367	3,694	4,786	3,694
24,650	24,700	4,381	3,701	4,800	3,701
24,700	24,750	4,395	3,709	4,814	3,709
24,750	24,800	4,409	3,716	4,828	3,716
24,800	24,850	4,423	3,724	4,842	3,724
24,850	24,900	4,437	3,731	4,856	3,731
24,900	24,950	4,451	3,739	4,870	3,739
24,950	25,000	4,465	3,746	4,884	3,746
25,000					
25,000	25,050	4,479	3,754	4,898	3,754
25,050	25,100	4,493	3,761	4,912	3,761
25,100	25,150	4,507	3,769	4,926	3,769
25,150	25,200	4,521	3,776	4,940	3,776
25,200	25,250	4,535	3,784	4,954	3,784
25,250	25,300	4,549	3,791	4,968	3,791
25,300	25,350	4,563	3,799	4,982	3,799
25,350	25,400	4,577	3,806	4,996	3,806
25,400	25,450	4,591	3,814	5,010	3,814
25,450	25,500	4,605	3,821	5,024	3,821
25,500	25,550	4,619	3,829	5,038	3,829
25,550	25,600	4,633	3,836	5,052	3,836
25,600	25,650	4,647	3,844	5,066	3,844
25,650	25,700	4,661	3,851	5,080	3,851
25,700	25,750	4,675	3,859	5,094	3,859
25,750	25,800	4,689	3,866	5,108	3,866
25,800	25,850	4,703	3,874	5,122	3,874
25,850	25,900	4,717	3,881	5,136	3,881
25,900	25,950	4,731	3,889	5,150	3,889
25,950	26,000	4,745	3,896	5,164	3,896

Adapted from 1990 IRS *Tax Table*

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Timeline of Events: 1892–1913

1892 Income tax is a key issue in the presidential campaign

1894 National personal income tax law initiated

1895 U.S. Supreme Court declares the income tax law unconstitutional

1909 Congress proposes constitutional amendment giving it power to enact legislation requiring payment of income taxes

1913 Sixteenth Amendment to the Constitution ratified, clearing the way for Congress to pass federal income tax laws

1913 Federal income tax law initiated; is based on ability to pay

Newspaper Editorials

Populist Kansas Newspaper

People in the West believe that they are being exploited by the East. In western states, incomes are derived primarily from farming, logging, mining, and ranching. Farmers and others sell their basic products to the East and buy its finished goods. Prices for agricultural products have been decreasing. The railroads for shipping the products are owned or controlled by Easterners who charge very high shipping charges. Very few people in the West earn high incomes. People feel they are not benefiting from the growing economy. Westerners support government regulation of shippers and big business. In some cases, people want the government to own and run transportation and communication businesses in the interests of the people. In the Panic of 1893, many farmers lost their farms. Westerners want the government to provide more goods and services to them and support a graduated income tax as a fair way to raise revenue.

Progressive Cleveland Newspaper

As a Progressive newspaper, you are interested in economic and political reforms. You support many of the reforms that the Populists proposed, such as direct election of senators, the initiative, and the referendum, but you also support reform in the urban and industrial areas. The urban Progressives are concerned about corruption in city government. They are also concerned about the use of child labor in factories, improved housing for poor people, better health care for everyone, and safer working conditions. The Progressives in your area do not like how unevenly incomes are distributed in the city. A few people are very wealthy and many people are very poor. You favor a graduated income tax to provide more government services and enforcement of regulations to make poor people's lives better. You think people with higher incomes are more able to pay the taxes and help improve society.

Republican New York Newspaper

As a conservative Republican newspaper, you are widely read by the Northeastern industrialists. Your readers are concerned that the proposed income tax is a movement toward socialism. The idea that people will be able to pay more taxes because they earn more money seems undemocratic to your readers, who favor taxes where everyone pays the same rate—such as the tariffs and excise taxes. An income tax will tax salaries and wages, interest, dividends, and rent, which are all important sources of income in New York. Northeastern Republicans believe most of the government spending will go to the West, even though Northeasterners might pay most of the taxes. Your readers believe that whatever is good for business is good for the country. If business owners are required to pay higher taxes, then they will have less money to invest and the businesses will suffer along with the people who work for the businesses. Your readers oppose the 16th Amendment.

Name _____ Date _____

What Is a Fair Tax?

It's difficult for people to agree on what is a fair tax. Ability to pay is one criterion of fairness; it involves asking basic questions such as the following.

- Should people who earn the same income be required to pay the same taxes?
- Should people who earn higher incomes be required to pay higher taxes?

In our current income tax system, taxes are progressive; that is, people with higher incomes pay a larger portion (or percentage) of their income on taxes than people with lower incomes.

In the following table, you are given four cases in each of which you compare two families, their circumstances, incomes, type of tax paid, and amount of taxes paid. For each family, you should

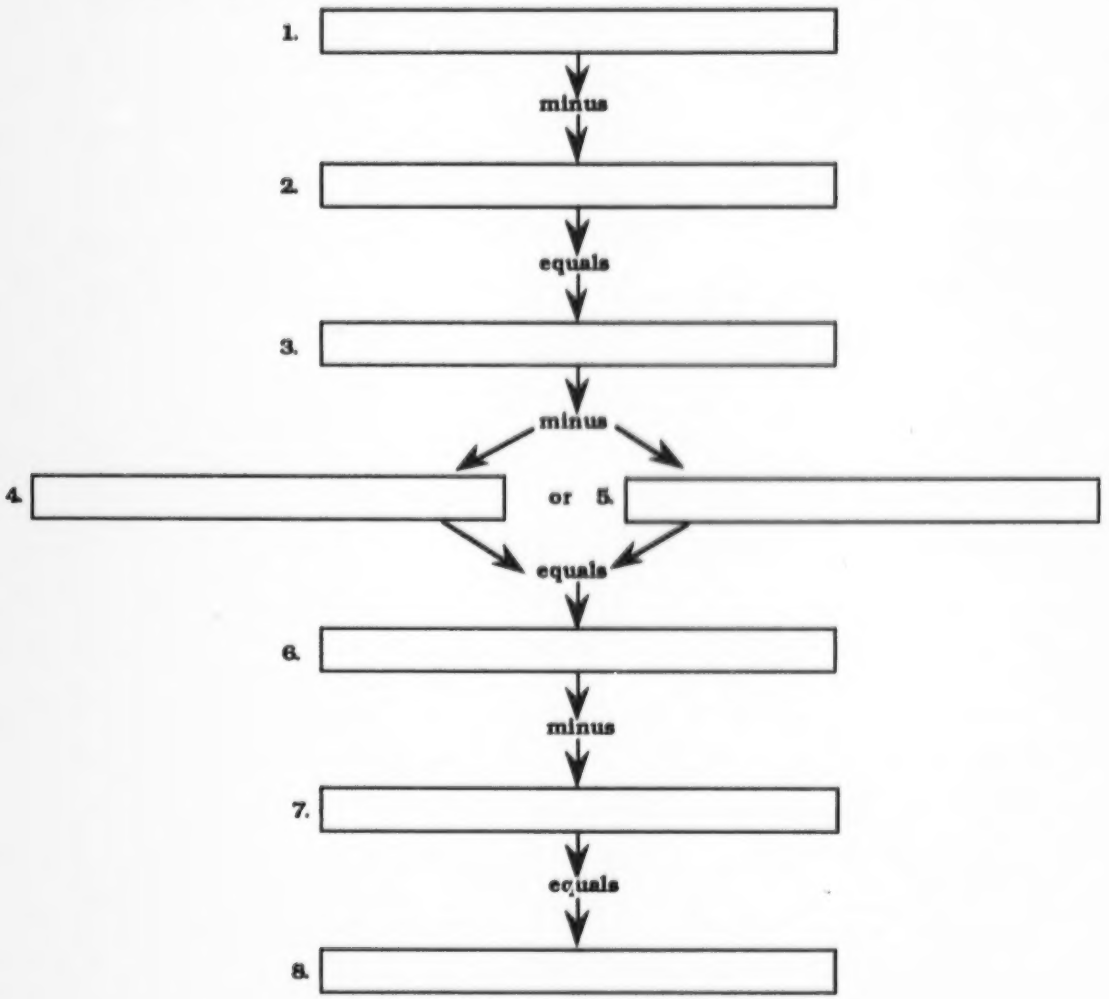
1. calculate the percentage of income paid on taxes
2. determine if the tax is based on ability to pay
3. decide if you think the tax is fair

Family Situation	Income	Type of Tax	Tax Paid	Portion of Income (%)	Ability to Pay? (Y/N)	Fair? (Y/N)
A. Two parents, one child	$42,000	Income	$4,624			
B. Two parents, four children	$42,000	Income	$3,724			
C. Two parents, two children	$20,000	Social Security	$1,530			
D. Two parents, two children	$100,000	Social Security	$3,924			
E. Two adults (no children); rent house for $650/month	$50,000	Income	$9,500			
F. Two adults (no children); buying a house for $650/month	$50,000	Income	$7,700			
G. Two parents, two children, no deductions	$30,000	Income	$2,520			
H. Two parents, two children, no deductions	$100,000	Income	$20,878			

Name _____ Date _____

Basic Income Tax Structure

Fill in the following boxes while the class discusses the main parts of the income tax structure.



Sample Tax Rate Schedule—Married Filing Joint Returns (Adapted from 1990 IRS *Tax Rate Schedule Y-1*)

If taxable income is:		Your tax payment is:	
Over—	But not over—		of the amount over—
$0	$32,450	15%	$0
32,450	78,400	$4,867.50 + 28%	32,450
78,400	162,770	17,733.50 + 33%	78,400

Resources

For tax information, contact the Internal Revenue Service toll-free at 1-800-829-1040.

To order more tax forms for classroom use, call the Internal Revenue Service toll-free Forms Only number at 1-800-829-3676.

For more information about the materials, workshops, and other aspects of ***Taxes in U.S. History***, contact a local or regional office of the **Joint Council for Economic Education**. Information on offices in your area may be obtained from the national headquarters of JCEE. Call (212) 685-5499.

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Joint Council on Economic Education
432 Park Avenue South, New York, NY 10016

The Joint Council on Economic Education is an independent, nonprofit, nonpartisan, educational organization incorporated in 1949 to encourage, improve, coordinate, and service the economic education movement. Its principal medium for expanding and improving economic education is a network of Affiliated Councils functioning at the state level and Centers for Economic Education on college and university campuses. The American Economic Association and American Association of Colleges for Teacher Education are formally affiliated with the Joint Council, as are other national professional groups concerned with economic education.

Agency for Instructional Technology
Box A, Bloomington, IN 47402

The Agency for Instructional Technology is a nonprofit U.S.-Canadian organization established in 1962 to strengthen education. AIT provides leadership and service to the education community through cooperative development, acquisition and distribution of technology-based instructional materials.

Internal Revenue Service
T:T:VE
1111 Constitution Ave. NW
Washington, DC 20224

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